

News Conference by Ambassador Barshefsky

Beijing, China

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I happen to be here on the nicest day of the year. Let me talk briefly about the WTO process and then I want to touch on three bilateral issues. With respect to WTO, we have held broad, in-depth and very substantive meetings with Minister Shi as well as with State Counselor Wu Yi. These meetings were designed to take stock of progress on the WTO accession negotiations as directed by President Clinton and President Jiang Zemin when the two leaders meet in Vancouver last November. At that time, the leaders told then Trade Minister Wu Ye and me that we should -- at the end of March or early April -- sit down and take stock of where we were. Our meetings here have been very constructive and I believe we have put the negotiations back on track.

The discussions covered a very broad range of WTO issues including tariffs - both industrial and agricultural; non-tariff measures such as quotas and licensing requirements; services including professional services such as accounting, legal and architectural services; distribution such as wholesaling and retailing, and ancillary distribution services, for example courier services, transportation, maintenance repair and so on; telecommunication including basic and value added services, banking, securities and insurance. These were among some of the issues discussed. As I said the discussions were quite in-depth. The purpose of these meeting were to determine how best to proceed with negotiations, and from the point of view of the United States, the purpose also was to better gauge China's intentions with respect to WTO accession. As many of you may know, we felt that we had received rather mixed signals following the good November Vancouver meetings. Our experts will now be meeting -- as they have been -- to look one-by-one at the individual issues. WTO accession, for any applicant to the WTO, is a very complex, very lengthy process. But I am quite pleased with the overall tone and seriousness displayed by my Chinese colleagues and fully believed that we have reestablished momentum.

The three bilateral issues that I would like to address are first agriculture. Ambassador Scher, my agricultural negotiator, and the U.S. Department of Agriculture will be coming out here in about two weeks to discuss a range of agricultural issues which will bear not only on WTO accession but also on a series of bilateral disputes that have remained unresolved for too long. These include the removal by China of sanitary and phytosanitary restrictions on US

exports of citrus, of wheat, of meat, of stone fruit, and of other agricultural products. The meetings Ambassador Scher will have were established long before my meetings today but WTO also will be among the subjects covered.

The second bilateral issue was Intellectual Property Rights (IPR). Two years ago, China was the unquestioned global leader in the export of pirated products, particularly pirated CDs, CD-ROM and software. The situation has dramatically reversed over these last two years. In 1996, when the Intellectual Property Rights Enforcement Agreement was finalized, China had closed fifteen factories, they have since closed 64, including 54 of which were underground factories that are not licensed in any respect by the state, and 10 which were improperly registered, discovered and then shut down entirely. We are very pleased by this progress. This is very impressive. However, as I discussed with my counterparts we want to ensure that China continues to strengthen its enforcement of Intellectual Property Rights in this regard and user piracy of software is a particular concern as is the substantial increase in trademark counterfeiting. Our next round of bilateral IPR consultations will be held in early June and we will send out our chief negotiators on that.

The third bilateral issue which arose quite suddenly has to do with the recent ban on direct selling in China. This ban affects US companies such as Amway, Avon, Mary Kay and others. The ban has effectively shut down the legitimate operation of these and other US companies in China. These companies have invested over \$120 million dollars in China and provide income to over 2 million Chinese. They are companies that have kept the interest of consumers in the forefront, providing money back guarantees if consumers are dissatisfied along with a cooling off period under which consumers can change their mind with respect to any purchases they may have contemplated. In addition, these companies, because of very substantial distribution networks in China, are completely accountable to the Chinese authorities. These operations, therefore, are quite readily distinguishable from pyramid sales, piracy schemes, and other chain selling operations that have caused concern on the part of the Chinese government and have created something of a consumer fraud problem in China. We've raised these issues over the last several days and State Counsel Wu Ye will be meeting with the US companies involved next week and we will be watching the progress of these meetings. Obviously, the goal here is to reestablish these companies operations as soon as possible. With that, I am happy to take questions.

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